

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ARA-16 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

PA-04 PRS-01 USIA-15 IO-14 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 INT-08

EA-11 EUR-25 NEA-14 GSA-02 DRC-01 /241 W

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R 250952Z JUN 74

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC 359

INFO AMEMBASSY KINGSTON

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E.O. 11652:IK/A

TAGS: EMIN, EPRD

SUBJ: CIPEC CONFERENCE: JAMAICAN OBSERVER COMMENTS ON BAUXITE
LEVIES

1. IN A CHANCE CONVERSATION WITH THE US OBSERVER AT THE CIPEC (COPPER PRODUCERS') CONFERENCE THE JAMAICAN OBSERVER (DR. GARNET BROWN, DIRECTOR OF THE GEOLOGICAL SURVEY, GOJ) REFERRED TO THE RECENT INCREASE IN JAMAICAN LEVIES ON BAUXITE. HE STATED CATEGORICALLY THAT JAMAICA WOULD NOT REDUCE THE LEVIES AND WOULD NOT SUBMIT TO OR RECOGNIZE ANY ICSID ARBITRATION OR MEDIATION. HE SAID THERE WERE THOSE IN THE GOJ WHO HAD WANTED AN EVEN GREATER INCREASE IN THE LEVIES AND THAT THE AMOUNT NOW FIXED BY LAW REPRESENTED A COMPROMISE WITH MORE EXTREME DEMANDS.

2. DR. BOWN DEFENDED THE LEVIES ON THE GROUNDS THAT THE PRICE OF JAMAICAN IMPORTS (FERTILIZER AND SOYBEANS IN PARTICULAR) AND OF ALUMINUM PRODUCTS HAD SKY-ROCKETED, WHILE THE COMPANIES HAD HELD THE BAUXITE PRICE AT THE SAME
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LEVEL. HE ALSO CONTENDED THAT THEY HAD IN THE PAST DELIBERATELY

UNDERPRICED ALUMINUM IN ORDER TO CAPTURE PART OF THE MARKET OF COMPETING METALS, SUCH AS COPPER AND STAINLESS STEEL, BUT HAVING DONE SO THEY COULD RAISE THEIR PRICES DRASTICALLY. THEY COULD THUS WELL AFFORD TO PAY THE HIGHER LEVIES.

3. DR. BROWN ALSO SAID THAT JAMAICA HAD ASSURANCES FROM OTHER BAUXITE PRODUCERS THAT THEY WOULD SUPPORT THE JAMAICANS ACTION BY SIMILAR LEVIES IF THE COMPANIES TRY TO SWITCH PRODUCTION FROM JAMAICA TO OTHER IBA MEMBERS. HE ALSO CLAIMED THAT JAMAICA HAD VERY CAREFULLY CONSIDERED THE POSSIBILITY OF A SUBSTITUTION OF OTHER ALUMINUM-BEARING EARTHS FOR BAUXITE AND HAD CALCULATED THAT THIS WOULD NOT OCCUR AT THE LEVEL AT WHICH THEY HAD SET THE NEW LEVIES.

4. FINALLY, DR. BROWN STATED CATEGORICALLY THE PRESENT GOJ WOULD NOT RPT NOT NATIONALIZE THE ALUMINUM COMPANIES AND SAID HE SAW NO PROSPECT THAT A CHANGE OF GOVERNMENT WOULD RESULT IN NATIONALIZATION. HE HOPED THE COMPANIES WOULD REALIZE THIS AND EXPAND THEIR INVESTMENT IN ALUMINA PRODUCTION. THE GOJ WOULD, ON THE OTHER HAND, REDUCE THE EXTENT OF LAND-HOLDINGS BY THE COMPANIES, SINCE THEY NOW HOLD MORE THAN THEY CAN UTILIZE AND SELL AND COULD BE PUT TO BETTER USE UNTIL NEEDED FOR MINING OPERATIONS IN THE FUTURE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COPPER, BAUXITE, LEVIES
Control Number: n/a
Copy: SINGLE
Draft Date: 25 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CollinP0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LUSAKA01316
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740167-0105
From: LUSAKA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740616/aaaaanor.tel
Line Count: 85
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 04 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 SEP 2002 by WorrelSW>; APPROVED <21 FEB 2003 by CollinP0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIPEC CONFERENCE: JAMAICAN OBSERVER COMMENTS ON BAUXITE LEVIES
TAGS: EMIN, ETRD, JM, CIPEC, (BROWN, GARNET)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005